

DRAFT SETTLEMENT AGREEMENT

The undersigned signatories to this Settlement Agreement hereby agree to the following:

1. In the Bonneville Power Administration (BPA) 2004 Transmission Rate Case (Rate Case), the Transmission Business Line (TBL) will submit an initial proposal in which the current 2002 transmission rates are increased by ____%, effective for the period FY 2004 – ?, and the 2002 transmission rates and rate schedules are otherwise unchanged. If a rate schedule includes a maximum charge for any rate, the increase in rate level shall be applied to the maximum charge. The following transmission rates will be increased by x%: FPT-02.1, FPT-02.3; IR-02; NT-02; PTP-02; IS-02; IM-02; Delivery Charge (Utility Delivery); Power Factor Penalty Charge; and Unauthorized Increase Charge. The proposed transmission rates are as follows:

[List proposed rates with the increase.]

In addition, the initial proposal will include an ACS rate schedule in which all rates will be increased by X% over 2002 rate levels. The following ancillary and control area services rates will be increased by X%: Scheduling, System Control, and Dispatch Service; Reactive Supply and Voltage Control from Generation Sources Service; Regulation and Frequency Response Service, both the Ancillary and Control Area Service rates; Operating Reserve – Spinning and Supplemental Reserve Services, both the Ancillary and Control Area Service rates. The proposed ancillary and control area services rates are as follows:

[List proposed rates with the increase.]

2. The ACS rate schedule will also reflect the changes specified in Attachment 1 to this Settlement Agreement. Changes will be made to the tariff and the NT rate schedule to reflect the Redispatch methodology contained in Attachment 2 to this Settlement Agreement.

3. The signatories agree not to contest any aspect of the TBL's initial proposal, including but not limited to the level of any transmission or ancillary or control area services rate or any of the elements thereof, the methodologies and principles used to derive such rates, or any aspect of the rate schedules, and agree to waive their rights to cross-examination and discovery with respect thereto.

4. If every party in the rate case agrees not to contest any aspect of the TBL initial proposal, the TBL will propose to the Administrator that he adopt the TBL's initial proposal and establish rates consistent therewith.

5. The signatories will not enter any evidence into the Rate Case, or make any argument in the Rate Case, contesting any provision of section 36 of BPA's current Open Access Transmission Tariff, and will not make any such argument before the Federal Energy Regulatory Commission (FERC) or any judicial forum as to the application of section 36 during the FY 2004 - ? rate period.

6. The signatories will move the Hearing Officer to specify a date by which any party to the 2004 Transmission rate case that has not executed this Settlement Agreement must object to the settlement proposed in this Settlement Agreement or waive any right to do so. In the event that any party does so object, the TBL may revise its initial proposal as it believes appropriate. In such case the signatories may contest such proposal and pursue all of their procedural rights.

7. Nothing in this Settlement Agreement is intended in any way to alter the Administrator's authority and responsibility to periodically review and revise the Administrator's transmission rates or the signatories' rights to challenge such revisions.

8. If the Administrator establishes transmission rates consistent with the TBL's initial proposal and submits such rates to FERC for confirmation and approval, the signatories agree not to challenge such confirmation and approval of such rates or any element thereof, including the methodologies and principles used to establish such rates, or support or join any such challenge, and agree not to challenge such rates or any element thereof, including the methodologies and principles used to establish such rates, in any judicial forum.

9. The signatories agree that they will not assert in any forum that anything in this Settlement Agreement or any action taken by any signatory, the Hearing Officer, the Administrator, FERC, or a court with respect to the rates proposed by the TBL pursuant to this Settlement Agreement creates or implies any procedural or substantive precedent or creates or implies agreement to any underlying principle or methodology.

10. The signatories do not waive any right to assert in the appropriate forum that any rate, charge, or rate schedule has been improperly applied.

This Settlement Agreement may be executed in counterparts.

/s/ _____ for

Party

Date _____